



Tapuitema

...ina ia manino le folauaga.

Official American Samoa Government Weekly Newsletter



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Lt. Gov. Faoa A. Sunia Offers Condolences on Death of Lt. Col. Max A. Galea'i in Iraq

(UTULEI) – Lt. Governor Faoa Aitofele Sunia offered the following statement on Sunday, June 29th, on the death of Lt. Col. Max A. Galea'i in the province of Anbar, Iraq.

“On behalf of Governor Togiola Tulafono and the people and government of American Samoa, I offer my deepest sympathies to the family of Lt. Colonel Max A. Galea'i, who gave his life in support of Operation Iraqi Freedom. His death is a great loss to American Samoa and the Kaneohe Marine Base in Hawai'i.”

Lt. Col. Galea'i, 42 years old, was the commanding officer of the 2nd Battalion, 3rd Marines at Kaneohe's Marine Corps Base in Hawai'i. He and two other Marines and other Iraqis were killed on Wednesday, June 26th, when a suicide bomber, reportedly dressed in a police uniform, detonated an explosive belt during a meeting of tribal sheiks opposed to Al-Quaida in Iraq.

Lt. Col. Max A. Galea'i is the

son of the late Tafaoa Pati and Kalala Galea'i of Leone, American Samoa. He is married to Evelyn Ho Ching Galea'i and they have four children. He has four sisters and three brothers.

Lt. Col. Galea'i grew up in the village of Leone, and spent much time along side his uncle, the late Senator Faiivae A. Galea'i. He graduated from Marist High School in 1983 and Oregon State University in 1988.

He is remembered by his family and fellow Marines as a caring and exceptional leader. Lt. Col. Galea'i's bravery and sacrifice will always be remembered as he willingly served America to protect the freedom of the world. The 2nd Battalion, 3rd Marines were deployed in February and were scheduled to return in September.

I ask all of American Samoa to unite in prayer for the comfort of his family during this time of great sorrow and grief. I offer our sincerest condolences to his wife, Evelyn Ho Ching Galea'i, their four children, his mother Kalala

Galea'i, his siblings and the entire Taeleifi and Faumuina families who have suffered a great loss.

Let us also remember the more than 1,000 Marines who were under Lt. Col. Max Galea'i's command. May God's grace give them strength to complete their tour without their leader.”

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U'amea Ua Lafoa'i
Aoina E Leai Se Totogi
ASO FARAILE & ASO TO'ONA'I
Iulai 11 & 12, 2008

Mo u'amea uma: ogaumu, masini tamea ma pusa'a'isa,
'apa ato fale & ma isi itu'aiga u'amea ua lafoa'i.
E TATAU ONA I AUTAFA O LE AUALA AE LE'I O'D ATU I LE
ASO FARAILE, IULAI 11, 2008
Vala'au le AS-EPA ile 633-2304 mo nisi fa'amatalaga



**American Samoa Environmental
Protection Agency (AS-EPA)**
633-2304

ASG RADIO PROGRAM

With: Gov. Togiola Tulafono

On: Showers of Blessings FM 104.7

Saturdays @ 7a.m.- 9:00a.m. Call: 699-8123/8124

Territory allocated more than \$50K from FEMA to fund interoperable emergency communications capabilities

American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands are being allocated grants as part of a \$48-million-dollar funding announced in Washington for all states and territories under the Emergency Communications Grant Program for FY 2008.

US states and territories can apply for the funds through their state administrative agency.

The grants, under the Federal Emergency Management Agency (FEMA), are to fund and improve interoperable emergency communications capabilities. The good news is, grantees are not required to provide either cash or in-kind match for these awards.

The program funds the four key areas of training, planning, exercise, and personnel (including management and administrative costs). All activities proposed under this particular grant program must be integral to interoperable emergency communications and aligned with the goals and initiatives identified not only in the grantees approved Statewide Communication Interoperable Plan, but also the National Emergency Communications Plan.

FEMA expects to award the funds by the end of September 2008.

The distribution list says that American Samoa is allocated \$54,033; while Guam and CNMI are allocated \$77,241 and \$53,935 respectively.

Airport renovations expected to be completed before Festival participants arrive

Renovations to the Tafuna International Airport are expected to be completed by the end of this month, prior to the arrival of the more than 2,000 people expected to travel to the territory for the 10th Festival of Pacific Arts which kicks off July 20.

The work includes extending and renovating the airport lounge, as well as a much needed facelift for the bathrooms. The arrival lounge has also been extended, and the once cramped luggage area now features more space.

And if that isn't enough, even the paperwork process has been upgraded. Travelers will experience less time standing in the Immigration line as five counters, each being manned by two Immigration agents, will be open.

All of the renovation work, which reportedly amounts to an estimated \$400K, was carried out thanks to monies collected from the passenger facility charge.

Territory to get \$300K from the Real ID Demonstration Grant awards

American Samoa will be receiving \$300,000 under the US Department of Homeland Security's FY 2008 Real ID Demonstration Grant awards for states and territories. This is part of USDHS's \$80-million-dollar funding to assist states and territories in improving the security of state-issued and identification documents. (The new AS Digital Drivers Licensing System, the second component of the Modernization Program for the Office of Motor Vehicles, complies with the Real ID Act and was funded by a Real ID grant).

The Real ID Demonstration Grant awards fund state-specific projects including the improvement of physical security of licenses, upgrading facility security, and modernizing document imaging and storage.

In addition, funding will also be provided for the development and testing of a verification hub that will allow states to query federal and non-federal document-issuing authorities and verify applicant source documents.

The Real ID program addresses a key recommendation of the 9/11 Commission to enhance the security, integrity, and protection of licensing and identification systems across the country.

At the moment, the Vehicle Title and Registration System and the Digital Drivers Licensing System in place at OMV (which are merging standards under the Real ID Act), places American Samoa at a level of 85% compliance.

The deadline to be in full compliance was May 2008 but American Samoa has been granted an extension until December 2009.

More than \$58 million has been allocated for state-specific implementation projects that facilitate Real ID compliance.

Summer Health Academy to offer sneak peek into the medical field

The American Samoa Area Health Education Center (AHEC) and the ASCC Nursing Program will be hosting the 2008 Summer Health Academy from August 18-22 for students entering the 9th grade in the fall and interested in a career in the health field.

The program is being funded by the Health Resources Services Administration.

The Summer Health Academy is a week-long program that will expose students to the daily life of a health professional and provide tools and support to help them prepare for their own career in health.

The Academy is community-based, meaning students will visit the health centers that provide health care to their families and interact with the health professionals who work there.

Throughout the week, the Academy will work with students to create a Health Careers Road Map tailored to their individual interests and needs. They'll even have a session on *Off-Island Summer Enrichment Programs* in science and health to connect students with the latest trends in health care.

The Academy will be held at the ASCC campus and the deadline for applications is July 18 at 4 p.m.

Applications can be picked up from the ASCC Nursing Department (Lele Ah Mu); the Tafuna Family Health Center (front desk); the Samoa News (front desk); and the DOE office in Utulei (second floor of the KVZK TV building in the Guidance and Counseling Office).

Applications can also be submitted electronically by emailing amoa@hawaii.edu

All questions, concerns or comments can be forwarded to 733-4126; 258-0150; or amoa@hawaii.edu

More information on AHEC can be obtained by visiting their website at www.ahec.hawaii.edu

Ta'u Dispensary set to be dedicated next month

Less than a year after a second contract had to be issued for the construction of the Ta'u Dispensary, the work is finally completed and the facility will be dedicated and officially opened for business on July 15. This is according to Public Works director Taeaotui Punafof Tielei whose office is overseeing the project management.

The construction work was carried out by E&W Construction after the initial contractor (Union Construction) who won the bid for the project was terminated by Taeaotui for reasons that included lengthy delays and no progress.

The Ta'u Dispensary project broke ground in December 2006 and was expected to be completed last July but nothing went through as planned, as the initial contractors did nothing more than mobilize their crew, demolish the old structure, and bring in only a few supplies.

At the time, requests were made to have the Maintenance and Operations crew from Public Works carry out the job in order to save money but this could not happen as DOI federal funding does not allow workers from Public Works to carry out the job.

The project came with a price tag of more than \$490,000 which was made available through federal funding from the Department of Interior's Capital Improvement Project (CIP) funds earmarked for health.

The new and improved dispensary, which is built in the exact same spot as the old one, features a 3,200 square-foot single-story building complete with a morgue, a telemedia station, an office for Emergency Medical Services (EMS) personnel, and living quarters for doctors and nurses.

The new structure is more modern, with concrete columns and beams, and louvered glass and solid windows.

Last year, Manu's District Governor PC Tufele Li'amatua told the Tapuitema that the completion of the new dispensary will save the people of Manu'a a lot of money in costs of having to travel to the LBJ Medical Center for check-ups and medical assistance.

EAC report recommends removal of Tax Exemption Board

The Governor's Economic Advisory Council (EAC) in its report on policy reform that was submitted to Governor Togiola Tulafono is recommending reforms in the areas of corporate and personal tax policies, including a recommendation to remove the Tax Exemption Board.

According to the report, "When faced with such a complex tax regime, the potential investor may take comfort in the tax exemption process." However, traditionally, investors are not in favor of exemptions as they are often temporary by nature, and can be dependent on the whim of politicians or altered as a result of a change in government.

"These concerns are only heightened in American Samoa," the report says. The EAC says applying for an exemption can be a time consuming and frustrating process as exemptions are not granted evenly or easily, despite promises that may be made during initial discussions with government representatives. "The worry of existing exemptions being overturned in the future exists as well as uneven playing fields being created should competitors obtain more attractive exemptions, particularly IET exemptions."

The EAC says most investors would prefer to see a fair, reasonable, and consistently applied corporate and personal tax system that will provide comfort without the reliance on government support.

Therefore, the Council is recommending the possible removal of the ASG Tax Exemption Board, including cancellation of all existing exemptions provided, or a substantial revision of the tax exemption process.

The Council acknowledges that exemption removals may need to be progressively introduced as some corporations are only able to remain competitive as a result of incentives currently in place; however, for this reason alone, the EAC believes the Tax Exemption Board should be disbanded to encourage level playing fields at all times.

The key factors potential investors look for in the tax structures, according to EAC, are: fair and reasonable tax rates; consistent application of tax with penalties for non-compliance; no exemption process, particularly one that is not consistently applied; competitive tax rates, particularly with neighboring areas; and, simplicity.

The Council used Hong Kong as an example and said that one of the many reasons why Hong Kong became a major financial center, despite no real natural resources, was a very simple tax code and a reasonable rate of 18% that was fairly applied.

HISTORICAL NOTES

By: Stan Sorensen, Historian, Office of the Governor

On June 28, 1906, "Congress provided for the acknowledgement of deeds in American Samoa, to be attested by the certificate of the governor."

On June 30, 1907, it was reported that "over 30 miles of fairly good roads, requiring bridges" had thus far been built in American Samoa."

On June 30, 1908, the Papatea School was opened at Ta'u, Manu'a. Vaega, a London Missionary Society pastor, was the only teacher.

On June 30, 1914, there were, "in addition to village pastors' schools, 8 recognized schools in Tutuila; 6 were sectarian, 2 island government, 3 were for boys, 3 for girls, and 2 for both boys and girls. These schools were being taught by a teacher from the United States, by Catholic Marist Brothers, by Catholic Marist sisters, by representatives of the London Missionary Society, and by Mormon elders."

On June 30, 1926, American Samoa's Department of Public Health listed 38 naval personnel and 26 Samoan nurses on its roster. There were four branch dispensaries at Leone, Amouli, Ta'u and Ofu.

On June 30, 1926, in its End-of-Year Report for Fiscal Year 1926, American Samoa's Department of Public Health recorded the following diseases: bronchitis: 1,030 cases; acute catarrhal fever: 16; acute hemorrhagic conjunctivitis ("pinkeye"): 1,022; dengue fever: 2; acute enterocolitis: 136, erysipelas: 1; filariasis: 484; gangrene: 1; simple influenza: 6; ascariasis: 1,875; uncinariasis: 40; leprosy: 2; measles: 1; pneumonia: 47; skin diseases: 250; tetanus: 3; tonsillitis: 9; tuberculosis: 72; typhoid fever: 11; gonorrhea: 2; whooping cough: 35, and yaws: 652.

On June 30, 1942, the Navy Base Report for Tutuila stated that the sailors and Marines "had two bowling alleys, but not enough room for athletic fields; a recreation center had been approved, but not yet built. Mail delivery was irregular, arriving roughly every three weeks...The acute shortage of cooking gear was blamed on the necessity of dividing the Marines into many small camps, where they could not be served by large central mess halls. Tarpaulins, needed as protection for just about everything against the incessant rainfall, were also scarce. The lack of tarpaulins contributed to the deterioration of supplies and equipment, particularly electric gear. Trucks, jeeps and other motorized vehicles were also scarce, and the Marines were borrowing trucks from the contractors to unload supplies. In 1942, the 2nd Marine Brigade established a recreation center with facilities for for forty-two men at a time, so that those stationed in outlying posts could come in now and then and enjoy billiards, ping pong, cards, movies, and so on."

On July 4, 1922, the new Governor of American Samoa, Captain Edwin Taylor Pollock, "caused concern in Apia [*i.e.*, among the *Mau* and the New Zealand Administration] when he read out the *Declaration of Independence* at the 4 July celebrations, and then had it published, in Samoan, in *O Le Fa'atou*, the territory's official newsletter."

On July 4, 1942, the U.S. Navy's Mobile Hospital No. 3 ("MOB 3") opened at Mapusaga, with one surgical ward and two patients.

EAC considers the current tax structure as the largest single deterrent to foreign investment

The Economic Advisory Council has submitted its policy reform report to Governor Togiola Tulafono in which recommendations were made for corporate and personal tax policies.

Under “corporate tax policy,” the EAC noted that serious investors will consider the tax environment they will operate under and will quickly identify that “American Samoa tax rates are some of the highest in the world and by far the highest tax rates in the South Pacific.”

This, to the investor, means they will be faced with high and inconsistent levels of Import Excise Tax on all fixed assets and raw materials sourced from off-shore, thus adding up to an effective tax rate in excess of 65%. The EAC says that while investors may be told that they can apply for a tax exemption from the Tax Exemption Board, this provides little comfort as it is not guaranteed and could change depending on the whim of politicians and/or a change of government.

As for “personal tax,” the EAC says this can be an issue for all taxpayers. But as all workers are subject to local tax policy, it will appear unusual that the tax policy for employees was frozen in December 2000, therefore representing an older tax scale than that which currently applies in the USA.

“This may not be an issue, except when you consider the benefits that US taxpayers have enjoyed subsequently, none of which have been passed on to the American Samoan taxpayer,” said the report. “This is a major concern when attempting to employ mainland Americans.”

The Council says that tax reform, and all its connotations, is the largest and most complex of the issues dealt with in its report. The EAC considers the current tax structure to be “the largest single deterrent to foreign investment and for that reason alone, it deserves to be addressed immediately.” Whether the canneries stay or go, the Council believes foreign investment is vital to the economic future of American Samoa and all efforts should be directed towards welcoming them.

According to the report, the taxation issues faced by theoretical foreign investors are complex, cumbersome, and negative. They include:

Corporate Tax Rate

The current tax rates are:

Up to and including \$50,000	15%
\$50,001 - \$75,000	25%
\$75,001 - \$650,000	34%
Greater than \$650,000	44%

These are among the highest corporate tax rates in the world and are well in excess of tax rates that apply to neighboring countries like Samoa (29%), Asia Pacific region average (30%), Guam (35%), New Zealand (33%), and the Commonwealth of the Northern Mariana Islands (18%).

The EAC says that while it may be seen as a necessary evil by the government, as corporate taxes are a substantial contributor to local revenue (19%), in countries where taxes are lower, corporate taxes contribute much more than this, as corporations are less worried about minimizing tax and more concerned about making money.

The following lists the current contentious withholding tax rates:

- Dividend Withholding Tax – payable on all dividends paid to non-US parent companies 30%
- Interest Withholding Tax – payable on all interest payments to non – US financiers (e.g. parent) 30%
- Management Fee Withholding Tax – payable on all management fees, royalties etc. paid to either parent entities or franchisees or similar. 30%
- Service Fee Withholding Tax – payable whenever non-US service providers provide services in American Samoa (e.g. off-island auditors) 30%

(Continued on page 6)

EAC and current corporate tax structure...*(continued from page 5)*

While sympathy was held for the plight of the foreign investor in regard to withholding tax, the Council says this does not extend to the recipients of the cash economy, particularly as it relates to non-American Samoa corporations that are contracted to provide a service to American Samoa (e.g. a construction project). The payments for this project are made either direct to the country of origin of the contractor or in cash. As a result, no local tax is often paid on revenue earned in the Territory.

The EAC says that this problem is enforced in other countries by either a robust and well policed Goods & Service Tax (GST), or by a requirement for only locally registered contractors to contract for such jobs, requiring also that being a locally registered entity, they must file a tax return and pay appropriate taxes.

For "Personal Tax Rates," the EAC says it is expected that an investor will need employees and while it is expected most would be local, often foreign labor is required for specialized roles. These employees will no doubt need to compare taxation rates with those currently paid to ensure they are earning an equivalent or better salary. As a result of the freezing of the American Samoa tax code to mirror the US tax code of December 31, 2000, benefits that have subsequently been enjoyed within the USA, such as reduced tax rates and family allowances, have not been passed on locally.

In addition, a more attractive personal tax code would benefit S-Corporations and sole/joint proprietors that all pay effective tax at the personal rates.

Frustrations were raised regarding the lack of resources available to the Tax Office to police non-filers and detailed statistics are not available. Based on known numbers of registered corporations as advised by the DOC, less than 40% are actually lodging tax returns and the Council believes all businesses should pay their correct tax by filing a tax return and supports any efforts in policing non-filers.

"This can be a further deterrent to new investment if it is deemed un-penalized common practice not to file, as investors like to operate in level playing fields," the report says.

For withholding tax payments, the EAC says that despite the negativity that this tax causes potential investors, the reality is that many companies are not paying it, either out of: a lack of understanding of the tax act, a willful avoidance of the tax or, in the case of the dividend withholding tax, by not striking a dividend.

Based on estimates only for the 2007 tax year, approximately \$7 million was raised from withholding tax, although it was stressed that the vast majority of this was paid by very few corporations and mainly related to tax on royalties, which is potentially more acceptable as these are tax deductible expenses and therefore not taxed by other means.

Based on this rough analysis, the EAC believes that the removal of the withholding tax on dividends and off-shore interest only will have minimal negative impact on tax revenue and a very positive impact on foreign investment.

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